

**Department of Management and Budget
Acquisition Services**

**Report of Proposed Changes in Excess of \$500,000
To Current Contracts for Computer Software Development,
Hardware Acquisition, or Quality Assurance**

Sec. 713 of Public Act 528 of 2002

(September 2, 2003)

Questions regarding this report may be directed to Jim Konrad, 517-373-0315

September 3, 2003

**BID TABULATION AND RECOMMENDATION FOR AWARD
DEPARTMENT OF MANAGEMENT AND BUDGET
ACQUISITION SERVICES**

CONTRACT DESCRIPTION: 071B9000492 - Human Resources Management Network (HRMN) - Civil Service

CONTRACT PERIOD: 4/7/99 through 3/31/2006 (Seeking 2nd extension beyond 2-yr base contract period)

CONTRACTOR: **INCREASE**

IBM Global, Southfield, MI \$2,800,000.00

☒ - Check if AS1 received by Acquisition Services

☒ - Check if contract is extended - Length of time extended: 2 years, 3 months

DESCRIPTION OF PURCHASE:

Purpose/Business Case: The Department of Civil Service requests additional time and dollars to modify the Human Resources Management Network (HRMN) with equipment, web and base software modifications and the associated services to allow for system enhancements which will complete the final two phases of the Agency Optimization Project.

Benefit: In addition to the 15% rate reductions negotiated for this contract in May, IBM has offered an additional 3% reduction for this project moving forward. The efficiency gains expected to result from this project are anticipated to produce a savings in excess of \$25 million dollars in the first five years following implementation with continued savings benefit in years beyond.

Commitment: Firm, fixed price project bid, with fixed hourly rate at 18% reduction for additional services. Payment to be made beginning in March of 2004, although implementation will begin immediately upon adbd approval.

Risk Assessment: Delay of this project will result in tremendous loss of savings, both immediate and over the next five years, as well as loss of technology enhancements and associated efficiency benefit.

Cost Reduction Consideration:

A. Negotiated Savings: Rate reductions of 18% total, with the 15% applied in May, and another 3% with this initiative. Efficiency gains with technology changes and

project enhancements expected to result in savings in excess of \$25,000,000.00 over the five years following implementation, with additional savings beyond.

B. Cost Avoidance: none beyond those listed above

C. Total Savings: \$350,000.00 during implementation based on rate reductions and \$25 million or greater in the five years and beyond, following implementation.

FUNDING: 100% General Fund for 2004 and a portion of 2005, remaining year's costs will be funded by resulting savings.

PRICE CLAUSE: Prices shall remain firm for the extended contract period.

CS-138: 191S8000209 as amended

ORIGINAL CONTRACT AMOUNT: \$16,027,433.00

CURRENT CONTRACT AMOUNT: \$29,381,241.00

PROPOSED AMENDMENT INCREASE AMOUNT: \$2,800,000.00

PERCENTAGE OF CHANGE BETWEEN AMENDMENT AND ORIGINAL CONTRACT AMOUNT: 17%

PERCENTAGE OF CHANGE BETWEEN AMENDMENT AND CURRENT CONTRACT AMOUNT: 10%

ESTIMATED 03 FISCAL YEAR INCREASE: \$0.00

NEW TOTAL CONTRACT COST: \$32,181,241.00

☒ Check if > \$500,000 for software development, computer hardware acquisition or quality assurance?

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Buyer Signature

Manager Signature

Division Director Signature

Acquisition Services Director Signature